

Message Text

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PAGE 01 LAGOS 06177 011702Z
ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 ABF-01 FSE-00 AID-05 CIAE-00
COME-00 EB-07 FRB-01 INR-07 NSAE-00 USIA-15
TRSE-00 XMB-04 OPIC-06 SP-02 LAB-04 EPG-02 SIL-01
OMB-01 NSC-05 SS-15 STR-04 CEA-01 DODE-00 PA-02
PRS-01 AGR-10 FEA-01 INT-05 /123 W
-----011917Z 024979 /46

R 011429Z JUN 77
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 1454
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY VIENNA
AMCONSUL IBADAN
AMCONSUL KADUNA

UNCLAS LAGOS 06177

PASS USOECD

E. O. 11652: NA
TAGS: EFIN, NI
SUBJ: NIGERIAN GOVERNMENT SAYS FOREIGN EXCHANGE RESERVES
CRASH

1. CENTRAL BANK DIRECTOR OF RESEARCH S.B. FALEGAN STATED
DURING MAY 27 NEWS BRIEFING THAT NIGERIA'S FOREIGN
EXCHANGE RESERVES DRIPPED FROM NAIRA 3,481 MILLION
(DOLLARS 5,344 MILLION AT N1 EQUALS DOLS 1.5352) ON
DECEMBER 31, 1976 TO NAIRA 2,513 MILLION (DOLLARS 3,845
MILLION ON MAY 26, 1977. HE SAID THAT "AVERAGE DAILY
FOREIGN EXCHANGE EARNING AMOUNTED TO NAIRA 17.7 MILLION,
WHILE AVERAGE EXPENDITURE IS NAIRA 19.5 MILLION, SHOWING
AN AVERAGE DAILY DEFICIT OF NAIRA 1.8 MILLION" WHICH
WOULD RESULT IN A NAIRA 600 MILLION BALANCE OF PAYMENTS
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DEFICIT FOR CY 1977. FALEGAN ATTRIBUTED THE DEFICIT
LARGELY TO THE DETERIORATING TRADE ACCOUNT. CURRENT
RESERVES REMAIN SUFFICIENT TO COVER PAYMENT OF EIGHT
MONTHS OF IMPORTS ALTHOUGH FMG OFFICIALS ARE CONCERNED
THAT IMPORT/RESERVES RATIONWILL CONTINUE TO SLIP.

2. COMMENT: EMBASSY SUSPECTS THAT ALLEGED DROP IN

RESERVES IS NOT AS CALAMITOUS AS STATED ALTHOUGH MANY
OBSERVERS HERE DID EXPECT AN ACCELERATED DRAIN IN NIGERIA'S
FOREIGN EXCHANGE RESERVES. ASSUMING CENTRAL BANK DATA IS
CORRECT, FALEGAN'S ARITHMETIC SIMPLY DOES NOT ADD UP. IF
RESERVES NOW AT NAIRA 2,513 MILLION LEVEL, DAILY LOSS
WOULD HAVE BEEN NAIRA 6.63 MILLION, NOT NAIRA 1.8 MILLION
CLAIMED BY FALEGAN. ALSO, SINCE THE GOVERNMENT USUALLY
RECEIVED ABOUT NAIRA 400 MILLION IN QUARTERLY/END OF FIS-
CAL YEAR PETROLEUM REVENUES ON APRIL 1 OF EVERY YEAR, THE
IMPORTS/INVISIBLES BILL MUST HAVE SKYROCKETED TO MAKE THE
NAIRA 2,513 MILLION RESERVES LEVEL CREDIBLE. EMBASSY WILL
ATTEMPT SORT OUT PROBLEM WITH APPROPRIATE FMG OFFICIALS
AND REPORT RESULTS.

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Sent Date: 01-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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